



# INDUSTRY CIRCULAR

DEPARTMENT OF  
THE TREASURY

Bureau of Alcohol, Tobacco and Firearms

Washington, D.C. 20224

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## PROPOSED CHANGES IN REGULATIONS ISSUANCE OF AND ACCOUNTING FOR STRIP STAMPS

Importers and others concerned:

**Purpose.** This circular is to inform you of changes being made in regulations, 26 CFR Parts 250 and 251, to become effective December 1, 1972, and to discuss steps which should be taken in order that importers will have an opening inventory of red strip stamps as of that date.

**Background.** A notice of proposed rule making to amend regulations, primarily as to the issuance of strip stamps and the accounting for red strip stamps by importers, was published in the Federal Register for July 1, 1972. Under existing regulations the accounting process involves the clearance of each individual Form 428, Requisition for Bottle Strip Stamps, by the appropriate director of customs, and for the accounting by customs personnel of the stamps, by requisition and serial numbers, as the bottles of spirits to which they are attached clear customs. This necessarily results in a number of delays in the accounting for stamps which have actually cleared customs. The procedures being established by the amended regulations to be issued pursuant to the notice will simplify greatly these requirements respecting the accounting for stamps and will place primary responsibility for such accounting on the importer who requisitioned the stamps.

**Procurement of Strip Stamps.** In order to have the office which will under the new procedures be charged with the responsibility for determining that red strip stamps are properly used and accounted for, and to relieve customs from the responsibility of approving requisitions and district directors of internal revenue from the responsibility of stocking and issuing these stamps, requisitions filed on and after December 1, 1972, shall be filed with the appropriate Regional Director, Bureau of Alcohol, Tobacco and Firearms. These requisitions will be prepared essentially in the same manner as at present, but it will not be necessary that a separate requisition be prepared to cover stamps to be shipped to each supplier abroad. Instead, the importer (or his agent) may requisition at one time a reasonable quantity of stamps to cover his legitimate current needs. The Form 428 will be prepared as provided in the instructions on the form (as revised). It will not be accompanied by a Form 1627, Statement to Accompany Requisition for Red Strip Stamps to be Sent Abroad (while there will continue to be a Form 1627, it is designed to serve an entirely different purpose under the amended regulations, as discussed later in this circular). The Form 428 will not be submitted to customs for approval before being filed with the Regional Director.

**Issuance of Red Strip Stamps by Regional Director.** Upon receipt of a requisition on Form 428 from an importer or his agent, the Regional Director will, if the quantity of stamps requisitioned is reasonable and previously issued stamps are being properly accounted for, approve the requisition and either issue the stamps from his stock or have the stamps sent directly to the importer or his agent from the Bureau of Engraving and Printing (under procedures similar to those now followed respecting stamps shipped directly to proprietors of distilled spirits plants). On receipt of the stamps by the importer or his agent, he shall follow applicable procedures covering the receipting for the stamps on Form 428 and the disposition of the receipted copies of the form.

Accounting for Red Strip Stamps by Importer. The importer in whose name the stamps are requisitioned is responsible for accounting for the stamps whether actually ordered by him or by an agent for him. A new Form 1627 entitled "Report of Use or Other Disposition of Red Strip Stamps," has been designed to serve as a back-up record covering the disposition of all strip stamps to be accounted for. In the case of bottled spirits released by customs, the Form 1627, executed by the customs officer releasing the spirits, will be the authority for the importer to take credit for the stamps on his inventory and quarterly report. In the case of other dispositions, such as loss or mutilation, other entries on the Form 1627 will serve as such back-up record. In other words, regardless of the disposition made of the stamps which removes them from the importer's outstanding inventory, the disposition will in all cases be supported by an entry on Form 1627. See the instructions on the form when received. For inventory and reporting purposes the stamps will be accounted for on a first-in, first-out basis rather than by serial numbers and by individual requisition. The new procedure will also eliminate the need for Form 1627-A, Notice of Diversion of Red Strip Stamps for Imported Distilled Spirits. Instead, when a shipment of spirits arrives in the United States, the Form 1627 (new), executed as to Part 1, including identification of containers of spirits in the shipment, will be submitted to the customs officer at the port for certification as to the presence of strip stamps on the containers. Upon receipt of the certified report (which will be signed only by the customs officer at the port and immediately placed in a window envelope for mailing to the importer in whose name the stamps were requisitioned) the importer will take credit for the stamps.

Power of Attorney. Because the Forms 428 will be approved by the Regional Director and reports, Form 96 (discussed later in this circular) will be filed with him, a power of attorney on Form 1534 will be required where an agent or representative prepares Form 428.

Customs Responsibilities Eliminated. The requirement that stamps to be affixed under customs supervision and not so affixed within 48 hours be placed in customs custody is eliminated. The importer will retain control of the stamps until they are affixed to the bottles under customs supervision. Customs personnel presently use their record of bottle strip stamps issued to and used by each importer to verify the importer's annual report. Maintenance of the control record and verification of the annual report by customs will be discontinued under the proposed regulations.

Responsibilities on Importers. Each importer who requisitions stamps will be required to maintain, on his premises, a daily record of stamp transactions for each location to which he distributes stamps or at which he has stamps in his possession. This record will be subject to periodic inspection by Bureau inspectors. Also, it must include stamps requisitioned by an agent for him. The first-in, first-out method of accounting for stamps will provide the importer with greater flexibility in the handling of stamps. Because of the complete change in the method of accounting for the stamps, the requirement that stamps be accounted for within an 18-month period (or an extension of such period) is no longer necessary and will be eliminated from the regulations.

Importer's Report of Stamps. Form 96 will, under the amended regulations, be filed quarterly instead of annually, and with the Regional Director, Bureau of Alcohol, Tobacco and Firearms, instead of with the district director of customs. The form has been revised to fit the new reporting requirements (first-in, first-out basis). Because the regulations become effective as of December 1, 1972, the first report should cover the month of December only. Subsequent reports should cover quarterly periods as provided in the instructions on the form. A special opening report will be prepared as provided later in this circular under the heading "Transition to New Accounting Procedure."

Verification of Overprinting of Stamps and Endorsement of Warehouse Entries.

The present requirement that importers have the overprinting of stamps verified by a director of customs will be discontinued. Also, present requirements that entries filed under Customs regulations, 19 CFR Chapter I, be endorsed with certain information by the importer for use primarily as an aid to customs personnel in crediting the stamp record of the importer will be discontinued. Customs will no longer need this information.

Alternate Methods and Procedures. The amended regulations will provide procedures under which the Director, Bureau of Alcohol, Tobacco and Firearms, may approve an alternate method or procedure. This new provision is self-explanatory.

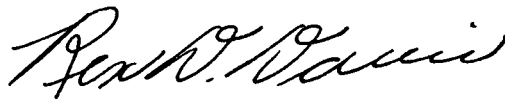
Transition to New Accounting Procedure. With one exception, importers should have available to them from present records, requisitions, etc., all of the information they need in order to establish an opening inventory as of the close of business on November 30, 1972, in order to be in a position to assume full responsibility thereafter for the accounting for all stamps. The one exception is outstanding Forms 1627-A pending with customs and relating to spirits diverted from an original port of entry to another port. It will be necessary to have this information in the hands of importers at the close of business on November 30. Therefore, each customs office handling Forms 1627-A for stamps on spirits which have not been entered will send such forms, or reproduced copies thereof, to the importer in whose name the stamps involved were requisitioned. The stamps on spirits entered on and after December 1, 1972, will be accounted for under the new procedures; that is, they will be accounted for by the importer pursuant to a (new) Form 1627 prepared and processed as provided in the regulations. With the information on the outstanding Forms 1627-A plus the information in the importer's records, he will be in a position to prepare a special Form 96 (on the Form 96 being superseded), giving a full and complete accounting for the stamps which are charged to him as of the close of business on November 30, 1972. This special Form 96 will be prepared in triplicate and marked "FINAL," and the original and one copy will be filed with the director of customs for verification. After verification, the director of customs will forward the original to the appropriate Regional Director, Bureau of Alcohol, Tobacco and Firearms, where it will form the starting point for the importer's accounting with that office. This report should include special entries reflecting stamps which have been outstanding for a long period of time and which cannot be properly accounted for, if necessary. Where such an entry is made on Form 96, the form should be accompanied by an attached statement fully explaining the length and circumstances surrounding the unaccountability. The stamps so identified will not be included in the opening inventory of the importer. This will let the opening inventory represent an actual physical inventory of stamps on hand and to be accounted for under the new procedures.

Status of Forms. Forms 428 and 96 are being revised and should be available shortly before the December 1, 1972, effective date of the regulation amendments. The newly designed Form 1627 should also be available before that date. Form 1627-A will be discontinued and should not be prepared to cover transactions which will be accounted for under the new procedures.

Reason for Advance Information of Amended Procedures. We do not ordinarily establish a future effective date for an amendatory document as we have in this case, nor do we ordinarily issue an industry circular so far in advance of the effective date of the proposed regulations. However, in these circumstances, we want to (1) give ample time to District Directors and Regional Directors to establish the necessary communication to arrange for the transfer of stamps to Regional Directors and for Regional Directors to

make the necessary determination of the quantity of stamps to have on hand on the effective date of the regulations; (2) give the Bureau of Customs the needed lead time to apprise its officers of the actions they must take in connection with the transfer of responsibilities for the accounting for red strip stamps to importers, and to acquaint them with other changes affecting their activities; (3) inform importers of the proposed changes so that they will have taken all steps necessary to establish an accurate inventory of stamps as of the effective date of the regulation changes; and (4) allow the Headquarters Office sufficient time to coordinate the document referred to above with another document involving strip stamps which for many reasons should have the same effective date. We do not anticipate the issuance of another industry circular covering these proposed changes unless a specific need for one develops. Therefore, you should retain this circular so that it will be available as the time for the change-over approaches.

Inquiries. Inquiries concerning this industry circular should refer to its number and should be addressed to your Regional Director, Bureau of Alcohol, Tobacco and Firearms.



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